



He

IMPERIAL GENERAL PROPERTIES LIMITED
ANNUAL REPORT 1974



FINANCIAL HIGHLIGHTS

IMPERIAL GENERAL PROPERTIES LIMITED

ANNUAL REPORT 1974

CONTENTS

- 2 Report to Shareholders
- 3 Consolidated Balance Sheet
- 5 Consolidated Statement of Net Earnings
and Retained Earnings
- 6 Consolidated Statement of Source
and Application of Cash
- 7 Notes to Consolidated Financial Statements
- 9 Auditors' Report
- 10 Corporate Information

	<u>1974</u>	<u>1973</u>
Total Assets	\$54,005,000	\$39,317,000
Shareholders' Equity	10,482,000	9,746,000
Rental Revenue	4,200,000	3,102,000
Net Earnings	736,000	394,000
Cash Provided from Operations	2,225,000	1,088,000
Number of Shares	1,250,000	1,250,000
Shareholders' Equity per Share	\$8.39	\$7.80
Net Earnings per Share	\$0.59	\$0.32
Cash Flow per Share	\$1.78	\$0.87

REPORT TO SHAREHOLDERS

On behalf of the Board of Directors I am pleased to present our annual report covering the year ended October 31, 1974. Total assets amounted to \$54,005,000, an increase of 37% over the previous year. During the past two years total assets of your company have been increased by \$24,526,000 or 83%. A very significant portion of this asset growth is in the form of income properties, thus lending considerable stability to your company's future earning potential.

Net earnings for the year were \$736,000 or 59 cents per share compared to \$394,000 or 32 cents per share for the previous year. Net earnings include profit from the sale of properties amounting to \$265,000 or 21 cents per share for the current year compared to \$58,000 or 5 cents per share for the previous year. Approximately \$1,800,000 of profit from the sale of properties previously reported as income in the third quarter of 1974 has been deferred to future periods in accordance with accounting policy and the guidelines as established by the Ontario Securities Commission respecting revenue recognition on land sales. This profit will be recognized in future periods as the proceeds of the sale are realized. As mentioned in the interim report, a very significant portion of this profit resulted from the sale of the Fraser Farm in Brampton, a parcel of land which has been held by your company and predecessor companies since 1959. While a sale of property, in one form or another, may occur from time to time, it is not your company's intention to specifically direct its

activities toward this end. Though the 1974 property sales were indeed timely and gratifying, I would prefer to direct your attention to the fact that earnings before these sales for the current year were 38 cents per share compared to 27 cents for the previous period, an increase of 40%. Cash flow from operations (after deduction of mortgages taken back on sale of properties) amounted to \$2,225,000 or \$1.78 per share for the 1974 fiscal year compared to \$1,088,000 or 87 cents for the year ended October 31, 1973.

In the construction division, the third and final phase of our apartment project at Birchmount and Sheppard in Scarborough is now complete and fully rented. I am pleased to report that the most significant project ever undertaken by Imperial General is proceeding well within schedule. This project involves the construction of an 859 suite - 5 building complex at Finch and Warden Avenues in Scarborough. With the continuation of a favourable rental market these buildings will be making a significant contribution to profit early in the 1975-6 fiscal year. To date 26% of the suites have been rented, with first tenants having already taken occupancy.

The high cost of money, material shortages and escalating prices in the construction industry were severely felt by Imperial General in the construction of industrial facilities. Rental rates have increased, but generally remain below the level necessary to justify construction of industrial accommodation, particularly in certain segmented areas in and around

Metropolitan Toronto. I expect that this situation will correct itself during the coming year as existing space is leased and the interaction of supply and demand will then force rates upward.

The company's entire industrial portfolio consisting of 1 3/4 million square feet is presently under lease with a very minimal amount coming available during the current year. As you are aware control of your company was acquired in 1972 by Morenish Land Developments Limited, a wholly owned subsidiary of Kashel Developments Limited. At that time Kashel was owned by W. B. Sullivan Construction Limited, The Lehndorff Group and The Metropolitan Trust Company. Through a series of transactions recently completed, the respective interests of Lehndorff and Metropolitan Trust were acquired by Deltan Corporation Limited, a public company controlled by Sullivan. As a result of this transaction Deltan now has 50.025% of the outstanding shares of Kashel.

The growth of Imperial General, as highlighted in this report, is a reflection of the dedication and attitude of its employees, and their outstanding efforts during the year give us every confidence of continued improvement in our results for the coming year.

R.J. PRUSAC
Chairman of the Board
and President

Toronto; January 17, 1975



IMPERIAL GENERAL PROPERTIES LIMITED
and its subsidiary

CONSOLIDATED BALANCE SHEET
OCTOBER 31, 1974

ASSETS

	<u>1974</u>	<u>1973</u>
Land held for development, at cost (note 2)	\$2,695,000	\$3,590,000
Properties under construction, at cost (note 2)	12,168,000	8,497,000
Income properties less accumulated depreciation (note 3)	32,220,000	24,812,000
Mortgages receivable (note 4)	4,304,000	187,000
Deferred charges less amortization (note 5)	641,000	355,000
Accounts receivable	373,000	319,000
Claim receivable (note 6)	1,293,000	1,293,000
Prepayments and other assets	311,000	264,000

On behalf of the Board:

R. J. PRUSAC, *Director*

T. S. RIPLEY, *Director*

\$54,005,000

\$39,317,000

(See accompanying notes)

LIABILITIES

	<u>1974</u>	<u>1973</u>
Bank indebtedness (note 7)	\$2,225,000	\$ 531,000
Accounts payable	3,960,000	2,097,000
Tenants' deposits	361,000	257,000
Mortgages payable:		
On land held for development (note 8)	1,379,000	1,900,000
On properties under construction (note 9)	7,339,000	5,520,000
On income properties (note 10)	21,110,000	16,227,000
Provision for prior years' income taxes (note 6)	25,000	525,000
Deferred income taxes	3,381,000	2,514,000
Deferred income on sale of properties (note 11)	3,743,000	
	<u>43,523,000</u>	<u>29,571,000</u>

SHAREHOLDERS' EQUITY

Capital stock (notes 3 and 12):

 Authorized:

 250,000 preference shares with a
 par value of \$20 each,
 issuable in series

 3,000,000 common shares without par
 value

 Issued:

 1,250,000 common shares

Contributed surplus (note 6)	1,275,000	1,275,000
Retained earnings	1,222,000	486,000
	<u>10,482,000</u>	<u>9,746,000</u>
	<u>\$54,005,000</u>	<u>\$39,317,000</u>



CONSOLIDATED STATEMENT OF NET EARNINGS
AND RETAINED EARNINGS
FOR THE YEAR ENDED OCTOBER 31, 1974

	1974	1973
Rental revenue	\$4,200,000 ✓	\$3,102,000 ✓
Rental expenses:		
Mortgage interest	1,748,000	1,308,000
Property operating expenses	1,057,000	756,000
Depreciation (note 3)	293,000	239,000
	<u>3,098,000</u>	<u>2,303,000</u>
Earnings from rental operations	1,102,000	799,000
Sale of properties	5,537,000 ✓	194,000 ✓
Cost of properties sold	1,210,000	68,000
	<u>4,327,000</u>	126,000
Income on sale of properties		
Less income deferred to future periods (note 11)	<u>3,743,000</u>	<u>126,000</u>
	<u>584,000</u>	
Interest and other income	200,000 ✓	96,000 ✓
	<u>1,886,000</u>	<u>1,021,000</u>
Expenses:		
General and administrative, including depreciation of \$23,000 (\$24,000 in 1973)	225,000	158,000
Interest on general borrowings	58,000	6,000
	<u>283,000</u>	<u>164,000</u>
Earnings before taxes on income	1,603,000	857,000
Provision for deferred income taxes	<u>867,000</u>	<u>463,000</u>
Net earnings for the year	736,000	394,000
Retained earnings, beginning of year	486,000	92,000
Retained earnings, end of year	<u>\$1,222,000</u>	<u>\$486,000</u>
Net earnings per share	<u>\$0.59</u>	<u>\$0.32</u>

4,200
5,537
200
9,937,000

3,102
194
96
3,392

(See accompanying notes)

CONSOLIDATED STATEMENT OF SOURCE
AND APPLICATION OF CASH
FOR THE YEAR ENDED OCTOBER 31, 1974

	1974	1973
Sources of cash:		
Earnings before income on sale of properties and taxes on income	\$1,019,000	\$ 731,000
Add charges not requiring a cash outlay:		
Depreciation	316,000	263,000
Amortization	90,000	52,000
	<u>1,425,000</u>	<u>1,046,000</u>
Sale of properties -		
Proceeds on sale	5,537,000	194,000
Deduct:		
Mortgages taken back on sale	4,243,000	152,000
Mortgage payable assumed by purchaser	494,000	
	<u>4,737,000</u>	<u>152,000</u>
	<u>800,000</u>	<u>42,000</u>
Cash provided from operations	2,225,000	1,088,000
Proceeds of mortgage financing	8,126,000	13,077,000
Proceeds on discharge of mortgages receivable (net)	126,000	463,000
Proceeds on discharge of amounts receivable under agreements of purchase and sale		1,063,000
Increase in -		
Accounts payable	1,863,000	842,000
Tenants' deposits	104,000	41,000
Bank indebtedness net of cash	<u>1,694,000</u>	<u>1,599,000</u>
Total sources of cash	<u>\$14,138,000</u>	<u>\$18,173,000</u>
Applications of cash -		
Investment in real estate holdings	\$11,687,000	\$12,279,000
Mortgage principal repayments and refunding	1,451,000	4,719,000
Payment of tax under prior years' re-assessments	500,000	789,000
Increase in deferred charges	376,000	213,000
Cash applied to other assets and liabilities (net)	<u>124,000</u>	<u>173,000</u>
Total applications of cash	<u>\$14,138,000</u>	<u>\$18,173,000</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Consolidation

The consolidated financial statements include the accounts of the company and its subsidiary, Northline Realty Limited.

2. Accounting for land held for development and properties under construction

Capitalization of carrying charges -

The company capitalizes, as part of the cost of land held for development and properties under construction, direct carrying charges such as interest, property taxes and professional fees, where such charges are identifiable with specific properties. Also capitalized is part of the interest on general borrowings on the basis of the company's equity in such properties.

Capitalization of general and administrative expenses -

The company also capitalizes an appropriate portion of general and administrative expenses as part of the cost of properties under construction.

Capitalization of rental

income and related operating expenses -

For land held for development, rental income and related operating expenses of buildings located on these lands, and incidentally operated to produce rental income, are respectively credited and charged to the capital cost of the property. For properties under construction, all income and operating expenses are capitalized until such time as the break-even point in cash flow from the property is attained.

Amounts capitalized as part of land held for development and properties under construction may be summarized as follows:

	1974	1973
Direct carrying charges, net of rental income and expense.....	\$568,000	\$301,000
Interest on general borrowings.....	159,000	150,000
Administrative overhead.....	188,000	109,000
	<u>\$915,000</u>	<u>\$560,000</u>

3. Income properties

Income properties consist of the following:

	1974	1973
Land	\$ 5,576,000	\$ 4,479,000
Buildings and improvements	<u>27,843,000</u>	<u>21,239,000</u>
	33,419,000	25,718,000
Less accumulated depreciation on buildings	<u>1,199,000</u>	<u>906,000</u>
	<u>\$ 32,220,000</u>	<u>\$24,812,000</u>

The company was created as of November 1, 1968 as an amalgamation of a number of predecessor companies. Income properties owned at the date of amalgamation are carried in the accounts at appraised values (i.e., fair market value) as determined by The Montreal Trust Company as at September 30, 1968. The appraisal increase credit of \$5,765,000 (\$1,750,000 of which was applicable to land and \$4,015,000 to buildings) was credited to common share capital. Subsequent additions have been recorded at cost.

The carrying values of buildings are depreciated using the sinking fund method. Under this method, the depreciation charged to income in respect of a particular building increases annually as it includes a fixed annual provision plus an amount equivalent to interest thereon compounded annually at 5%. Industrial and commercial buildings are depreciated over forty years and apartment buildings over fifty years.

4. Mortgages receivable

Mortgages receivable which bear interest at an average rate of 9% per annum include first mortgages of \$3,706,000 and second mortgages of \$598,000. The combined principal repayments in respect of the mortgages may be summarized as follows:

Year ending October 31,	1975	\$ 105,000
	1976	101,000
	1977	102,000
	1978	102,000
	1979	3,845,000
1980 and subsequent		<u>49,000</u>
		<u>\$4,304,000</u>

5. Deferred charges

It is the company's policy to defer leasing costs and the cost of arranging mortgage financing and to amortize these amounts on a straight-line basis over the term of the related leases or mortgages. Amortization charged to income (included in property operating expenses) amounted to \$90,000 in 1974 and \$52,000 in 1973.

6. Claim receivable and contributed surplus

On February 29, 1972, Morenish Land Developments Limited acquired from two vendors a total of 920,000 issued and outstanding common shares of the company. In connection with that transaction, each of the vendors agreed with the company to pay to the company any amounts, as defined, not reflected in the calculation of shareholders' equity as shown on the consolidated financial statements of the company as at October 31, 1971 including

amounts (if any) in excess of \$800,000 for income taxes and interest and penalties thereon payable by the company and its subsidiaries for periods up to and including October 31, 1971.

Re-assessments of income taxes relating to the company and the predecessor companies amalgamated in 1968 have been received totalling approximately \$1,500,000 including interest, in respect of the years 1962-1970 inclusive. No precise determination can be made of the ultimate liability at this time since the assessments are under appeal but the maximum liability has been recognized in the accounts by provisions totalling \$1,500,000. Payments of \$1,475,000 have been made to October 31, 1974 in respect of the assessments. Because of the indemnity provisions the maximum liability to be borne by the company without reimbursement is \$800,000 and accordingly an amount of \$700,000 has been recognized as recoverable from the vendors with a corresponding credit to contributed surplus. The company has recognized certain other amounts which are recoverable from the vendors and has therefore recorded an amount receivable of \$575,000. Costs of \$18,000 incurred since 1972 with respect to the claim were recorded in the accounts.

In the opinion of legal counsel it is expected that a claim for these amounts will be successful. Payment to the company of any claim successfully established against the vendors is recoverable from the unpaid portion of the purchase price due to them from Morenish Land Developments Limited. Any adjustments in the amount of the claim subsequent to October 31, 1972 will be recognized in the accounts as the matters are resolved.

7. Bank indebtedness

As security for its bank indebtedness the company has issued to its bankers demand debentures secured by a floating charge on the assets and undertakings of the company.

8. Mortgages on land held for development

Mortgages on land held for development consist of first mortgages bearing interest at an average rate of 9% per annum and are repayable as to principal as follows:

Year ending October 31,	1975	\$ 368,000
	1976	20,000
	1977	20,000
	1978	971,000
		<u>\$1,379,000</u>

9. Mortgages on properties under construction

Mortgages on properties under construction include advances received on permanent first mortgages bearing interest at an average rate of 8.91% per annum and are repayable as to principal as follows:

Year ending October 31,	1975	\$ 31,000
	1976	44,000
	1977	46,000
	1978	49,000
	1979	56,000
1980 and subsequent		<u>7,113,000</u>
		<u>\$7,339,000</u>

10. Mortgages on income properties

Mortgages on income properties consist of first mortgages bearing interest at an average rate of 9.16% per annum and are repayable as to principal as follows:

Year ending October 31,	1975	\$ 1,346,000
	1976	757,000
	1977	2,050,000
	1978	1,769,000
	1979	1,493,000
1980 and subsequent		<u>13,695,000</u>
		<u>\$21,110,000</u>

11. Deferred income on sale of properties

During the year the company entered into agreements of sale in respect of certain properties. Of the income on these sales,

\$3,743,000, before provision for income taxes, has been deferred and will be recognized in future periods as the proceeds of the sale are realized.

This accounting treatment is in conformity with the guidelines established by the Ontario Securities Commission concerning revenue recognition on real estate transactions.

12. Capital stock

At October 31, 1974 the company had reserved for issuance an aggregate of 250,000 common shares as follows:

200,000 shares for issuance upon exercise of outstanding purchase warrants at \$9.00 per share. The warrants expired December 31, 1974 without any being exercised.

50,000 shares for issuance under an employees' stock option plan. No accounting is made in respect of stock options until such time as they are exercised. At the time of exercise the proceeds are credited to share capital. The grantee, in lieu of purchasing the optioned shares, may request payment in shares of common stock for the increase in the market value of the stock over the option price. Changes in options during the year ended October 31, 1974 were as follows:

Price per share	Expiry date	Balance Beginning of Year	Granted (cancelled)	Balance End of Year
\$3.60	1978	6,250	(1,600)	4,650
\$3.25	1979		<u>10,500</u>	<u>10,500</u>
		<u>6,250</u>	<u>8,900</u>	<u>15,150</u>

Options granted may be exercised as to one-fifth each year on a cumulative basis.

13. Statutory information

Aggregate direct remuneration of directors and senior officers (as such are defined under The Business Corporation Act, 1970) was \$133,000 in 1974 and \$117,000 in 1973.



AUDITORS' REPORT

Clarkson, Gordon & Co.

Chartered Accountants

To the Shareholders of
Imperial General Properties Limited:

We have examined the consolidated balance sheet of Imperial General Properties Limited and its subsidiary as at October 31, 1974 and the consolidated statements of net earnings and retained earnings and source and application of cash for the year then ended. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the companies at October 31, 1974 and the results of their operations and the source and application of their cash for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

January 17, 1975
Toronto, Canada

Clarkson, Gordon & Co.

Chartered Accountants

CORPORATE INFORMATION

DIRECTORS

D. A. Berlis, Q.C.
M. B. Deans
H. C. Kerr, Q.C.
R. J. Prusac
T. S. Ripley

OFFICERS

R. J. Prusac, Chairman of the Board and President
T. S. Ripley, Vice-President
H. C. Kerr, Q.C., Secretary-Treasurer
H. K. Brown, General Manager
R. P. Meacher, Comptroller

REGISTRAR & TRANSFER AGENT

Metropolitan Trust Company

AUDITORS

Clarkson, Gordon & Co.

HEAD OFFICE

25 Wingold Avenue
Toronto, Ontario
M6B 1P8



IMPERIAL GENERAL PROPERTIES LIMITED

AR44

**IMPERIAL GENERAL PROPERTIES LIMITED
CONSOLIDATED STATEMENT OF SOURCE
AND USE OF CASH FOR THE
SIX MONTHS ENDED APRIL 30, 1974
(Unaudited)**

	1974	1973
SOURCE OF CASH:		
Operations:		
Net Earnings	\$ 183,691	\$ 176,939
Expenses not requiring cash:		
Deferred Income Taxes	215,500	184,100
Depreciation	156,091	131,521
Amortizations	55,420	—
Income not producing cash:		
Profit on disposal of fixed assets	—	(7,818)
Total Cash from Operations	610,702	484,742
Proceeds from New Mortgages	1,700,062	3,377,528
Receipt of amounts due under agree- ments of purchase and sale	—	1,502,260
Proceeds from sale of fixed assets	—	10,175
	2,310,764	5,374,705
USE OF CASH:		
Repayment of Mortgage Principal	257,633	3,474,454
Investment in Income Properties	2,978,799	2,185,474
Payments of Prior Year's Income Taxes	480,169	177,000
Purchase of Land	—	633,675
Investment in Land for Development	157,602	69,667
Purchases of Fixed Assets	—	43,031
Net Changes in Other Assets and Liabilities	216,709	14,656
	4,090,912	6,597,957
DECREASE IN CASH	\$1,780,148	\$1,223,252
Cash Flow from Operations	49¢	39¢

CanCorp



**IMPERIAL GENERAL
PROPERTIES LIMITED**

INTERIM REPORT TO SHAREHOLDERS

6 MONTHS ENDED APRIL 30, 1974

TO THE SHAREHOLDERS:

Earnings for the six months ended April 30, 1974 were \$183,691, or 15 cents per share compared to \$176,939 or 14 cents per share for the similar period last year. Cash flow from operations amounted to 49 cents per share compared to 39 cents per share for the six months ended April 30, 1973. Subsequent to April 30 the Company sold the Fraser Farm in Brampton which it had held since 1959 and the adjacent Lundy lands which it had acquired in 1973. The excess of proceeds over the book value of the assets involved at the time of disposal was approximately \$2,100,000 after provision for income taxes at current rates.

In the construction division, we are pleased to report that the third and final phase of our 600 suite apartment project at Birchmount and Sheppard Avenues in Scarborough is nearing completion. To date 94% of the suites have been rented and it is expected that this building will be making a contribution to profit before the end of this fiscal year.

The project at Finch and Warden is proceeding on schedule with the first building being available for occupancy this fall.

In our income property division, vacancies are low with the entire industrial portfolio under lease and less than 1/2 of 1% vacancy rate in the residential field.

R. J. PRUSAC,
Chairman of the Board
and President

June, 1974

IMPERIAL GENERAL PROPERTIES LIMITED CONSOLIDATED STATEMENT OF EARNINGS FOR THE SIX MONTHS ENDED APRIL 30, 1974 (Unaudited)

	1974	1973
Revenues from Income Properties	<u>\$1,990,902</u>	<u>\$1,504,554</u>
Less: Mortgage Interest	839,846	623,302
Property Operating Expenses	514,977	368,626
Depreciation	143,633	120,544
	<u>1,498,456</u>	<u>1,112,472</u>
Profit from Income Properties	492,446	392,082
Interest and Other Income	11,976	51,273
	<u>504,422</u>	<u>443,355</u>
Income before the following		
General and Administrative Expenses	92,774	61,156
Interest on General Borrowings	—	10,183
Depreciation	12,457	10,977
	<u>105,231</u>	<u>82,316</u>
Profit before Income Taxes	399,191	361,039
Deferred Income Taxes	215,500	184,100
	<u>\$ 183,691</u>	<u>\$ 176,939</u>
NET EARNINGS		
Earnings per Share	15¢	14¢